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Comparing the House and Senate Farm Bill Proposals

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Comparing the House and Senate Farm Bill Proposals

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Prior to the compromise just announced (see page 6), an analysis was done of the basic provisions of the "Agricultural Reconciliation Act of 1995" (ARA95) proposed by the Committee on Agriculture in the House of Representatives, and the version from the Committee on Agriculture, Nutrition, and Forestry in the Senate. The bills were quite different, but both were constructed to comply with the new budget guidelines. Despite the recent compromise, the final outcome still remains uncertain.

The Food and Agricultural Policy Research Institute (FAPRI) at Iowa State University and the University of Missouri analyzed these bills for the Conference Committee on Agriculture. The legislative branch will send one bill forward to President Clinton so that he can act on it. The basic provisions of the bills are very different, but both have a time frame of seven years which is a departure from the last two bills. Following are some highlights from FAPRI Report 15-95: *Analysis of United States House and Senate Agricultural Reconciliation Provisions*.

House Proposal

The "Freedom-to-Farm" concept that has received considerable press coverage is the basis of the House proposal. It decouples government payments from planting decisions and from changes in market prices. It does this by eliminating Acreage Reduction Programs (ARPs), target prices, and deficiency payments. The proposal allows producers total planting freedom among traditional program crops and oilseeds.

(Continued, page 4)

Iowa Farm Income Indicators

Estimated Cash Receipts

	1995	1994	1993
	(Million Dollars)		
Crops			
Jan - Aug Total	3,315	2,069	2,716
Livestock			
Jan - Aug Total	3,659	3,600	3,846
Total			
Jan - Aug Total	6,974	5,669	6,562

**Average Farm Prices
Received By Iowa Farmers**

	Oct 1995	Sep 1995	Oct 1994
	(\$/Bushel)		
Corn	2.88	2.73	2.01
Soybeans	6.25	5.92	5.27
Oats	1.60	1.49	1.27
	(\$/Ton)		
Alfalfa	75.00	85.00	77.00
All Hay	72.00	80.30	74.00
	(\$/Cwt.)		
Steers & Heifers	62.40	61.30	65.20
Feeder Calves	61.50	69.40	75.70
Cows	34.00	34.90	38.60
Barrows & Gilts	48.20	49.10	33.00
Sows	41.20	35.00	25.20
Sheep	21.10	26.00	28.20
Lambs	75.60	84.40	73.40
	(\$/Lb.)		
Turkeys	0.42	0.44	0.44
	(\$/Dozen)		
Eggs	0.44	0.55	0.45
	(\$/Cwt.)		
All Milk	12.80	12.70	12.80

CARD/FAPRI Analysis

**Comparing the House and Senate
Farm Bill Proposals**

(Continued from page 1)

The producer enters into a contract, much like a CRP contract, for seven years. Government payments would be a declining percentage of the past government payments to individual farms. The Conservation Reserve Program (CRP) provision in the bill allows current contract holders an opportunity to extend their contracts at 75 percent of the current rental rates. There is no provision for any new contracts. Dairy programs are deregulated by eliminating the market order program and purchase program for all dairy products. The caps on the Export Enhancement Program (EEP) expenditures are set at a fixed dollar amount below the GATT legal limits until the year 2000 and increase in proportion over the time period (Table 1).

TABLE 1: Maximum Allowed Export Enhancement Program (EEP) Expenditures.

	1996	1997	1998	1999	2000	2001	2002
	(Billion Dollars)						
GATT Allowed	982.8	881.8	780.8	679.8	578.8	477.7	477.7
House Proposal	400.0	400.0	500.0	550.0	579.0	478.0	478.0
Percent of GATT	41%	45%	64%	81%	100%	100%	100%
Senate Proposal	767.2	705.6	624.8	544.0	463.2	382.4	382.4
Percent of GATT	78%*	80%	80%	80%	80%	80%	80%

* The 1996 figure in the Senate proposal is 80 percent of the CBO baseline expenditure of \$959.0 billion.

Senate Proposal

The Senate proposal keeps most of the basic Farm Bill structure, but a major change is the increase of Normal Flex Acres (NFA) to 30 percent from the current 15 percent. ARPs are also eliminated as in the House proposal. Complete planting flexibility also exists in the Senate proposal among wheat, feed grains, and oilseeds, without loss of base or deficiency payments. The deficiency payments on the 70 percent of base not flexed are capped so that costs stay within the budget guidelines (Table 2).

The 0-50/85/92 programs are consolidated into a 0/85 program (25/75 for rice). By 2003 the CRP program budget is reduced to a fixed amount of funds that would cut CRP acres for the eight major crops to around 17 million acres from the current level of 27.4 million acres. The dairy provision of the program eliminates the purchase program for butter and nonfat

dry milk, and reduces the purchase price for cheese. EEP expenditures are capped at 80 percent of GATT legal limits (Table 1).

TABLE 2: Maximum Deficiency Payments under the Senate Proposal.

	1996	1997	1998	1999	2000	2001	2002
(Dollars per Bushel)							
Corn	0.53	0.53	0.57	0.56	0.53	0.54	0.55
Sorghum	0.59	0.59	0.63	0.61	0.59	0.60	0.61
Barley	0.45	0.43	0.44	0.42	0.39	0.39	0.40
Oats	0.12	0.11	0.12	0.11	0.09	0.09	0.10

Results

The differences in most aggregate performance measures under these two scenarios are so small as to be insignificant (Table 3). The Senate proposal yields slightly higher crop (0.5 percent) and livestock (1.2 percent) receipts and planted area (0.6 percent), but the House proposal yields lower production expenses (0.3 percent), higher government payments, and higher income levels (1.1 percent).

The only measures (other than payments) that vary by well over 1 percent are CRP acres and government costs. CRP acres are lower (14.3 percent) under the Senate proposal due to the scheduled reduction in the CRP budget. This CRP reduction is the main reason for the higher planted area in the Senate proposal.

The area under two of the eight crops (corn and soybeans) is actually lower under the Senate provision. These two crops play an important role in Iowa production agriculture and would be influenced by new CRP rules. CRP area would decrease under both proposals, but total CRP area declines less under the House package; except for regions like Iowa where rental rates are not high relative to productivity. With the 75 percent cap on renewal rental rates, renewal in areas like Iowa will be lower. In contrast, the Senate bill caps total expenditures, but does not cap rental rates.

The House proposal leads to significantly higher costs in the first two years, because payments are fixed and do not decline in response to high prices during these years. Over seven years, the average cost of the House version is 17.9 percent higher.

TABLE 3: Estimated Effects on Selected Variables.

	1996	1997	1998	1999	2000	2001	2002	Avg.
CROP RECEIPTS								
(Billion Dollars, Calendar Year)								
House	98.3	96.9	96.8	97.7	99.0	100.4	101.9	98.7
Senate	98.5	97.2	97.1	98.2	99.7	101.0	102.6	99.2
Difference	-0.2	-0.3	-0.3	-0.5	-0.7	-0.6	-0.7	-0.5
LIVESTOCK RECEIPTS								
(Billion Dollars, Calendar Year)								
House	87.0	86.9	89.7	93.8	99.1	100.6	102.3	94.18
Senate	87.8	88.0	90.7	94.9	100.3	101.7	103.4	95.23
Difference	-0.8	-1.1	-1.0	-1.1	-1.2	-1.1	-1.1	-1.1
PRODUCTION EXPENSES								
(Billion Dollars, Calendar Year)								
House	171.4	169.2	170.3	172.5	175.4	178.0	180.7	173.9
Senate	171.4	169.6	170.8	173.2	176.2	178.9	181.6	174.5
Difference	0.0	-0.4	-0.5	-0.7	-0.8	-0.9	-0.9	-0.6
NET CASH INCOME								
(Billion Dollars, Calendar Year)								
House	51.4	51.2	52.7	55.6	59.4	59.1	60.3	55.7
Senate	47.9	50.5	51.9	55.1	59.6	59.8	60.7	55.1
Difference	3.5	0.7	0.8	0.5	-0.2	-0.7	-0.4	0.6
NET FARM INCOME								
(Billion Dollars, Calendar Year)								
House	43.2	40.4	42.6	45.9	49.7	48.7	49.8	45.8
Senate	39.9	39.9	41.9	45.4	50.0	49.6	50.4	45.3
Difference	3.3	0.5	0.7	0.5	-0.3	-0.9	-0.6	0.5
PLANTED AREA								
<i>Corn, sorghum, barley, oats, soybeans, wheat, cotton, and rice</i>								
(Million Acres, Crop Year)								
House	256.7	253.2	252.4	254.2	257.0	254.0	254.3	254.6
Senate	257.0	255.0	254.0	256.0	258.7	256.4	256.3	256.2
Difference	-0.3	-1.8	-1.6	-1.8	-1.7	-2.4	-2.0	-1.6
TOTAL CRP AREA								
(Million Acres, Calendar Year)								
House	36.4	30.1	26.7	24.5	22.8	22.6	22.1	26.5
Senate	36.4	28.1	23.1	19.8	17.5	17.2	16.7	22.7
Difference	0.0	2.0	3.6	4.7	5.3	5.4	5.4	3.8
NET CCC OUTLAYS AND CRP PAYMENTS								
(Billion Dollars, Fiscal Year)								
House	9.7	8.9	8.6	8.3	7.8	6.2	5.9	7.9
Senate	4.1	6.9	8.0	7.7	7.5	6.6	6.1	6.7
Difference	5.6	2.0	0.6	0.6	0.3	-0.4	-0.2	1.2